HOUSING MARKET INFORMATION

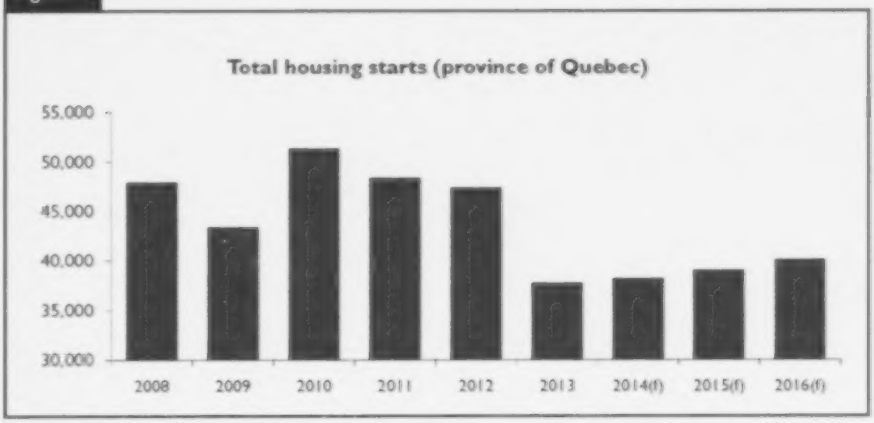
HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fourth Quarter 2014

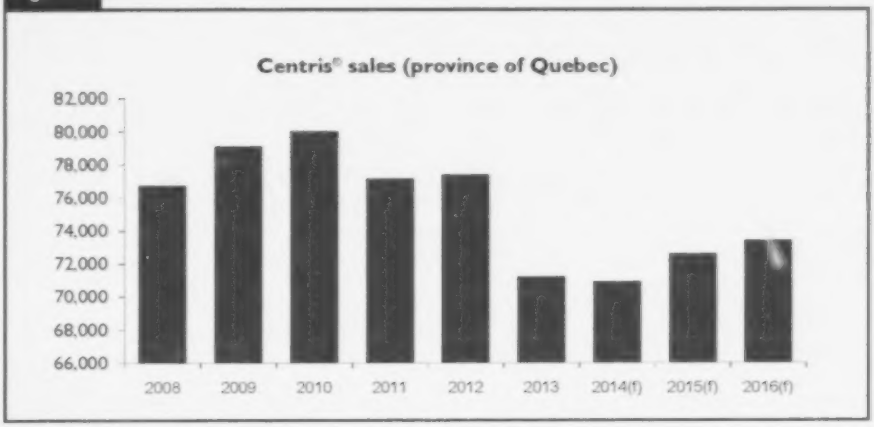
Housing Market Forecast

Figure 1



Source: CMHC

Figure 2



Source: CMHC

Overview

A gradual pick up in Quebec's economic growth over the next two years will provide some stimulus to housing demand in 2015 and 2016. During this period, resale markets will tighten somewhat, which will help sustain housing starts. However, despite an edging up of demand, the expected supply levels will keep price growth below the 2 per cent mark.

In the next two years, economic growth will stem from consumer spending, recovering private investment and a gain in net exports. Meanwhile, public expenditure growth will remain limited by balanced budget objectives. Thus, following growth of 1.5 per cent this year, Quebec GDP will increase by 1.7 per cent in 2015 and by 2.0 per cent in 2016. The impact on labour markets will be felt more substantially at the outset of 2015. As a result, employment will grow at a rate of 1.0 per cent in 2015 and 1.3 per cent the year after. The unemployment rate will regress from 7.8 per cent this year to 7.6 per cent in 2015 and to 7.3 per cent in 2016.

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While this moderate labour market recovery will help retain workers in the province, it will not be sufficient to counteract the flow toward the country's more attractive labour markets. Nonetheless with the help of rising immigration, total net migration, which is expected to exceed 34,200 persons this year, will rise to 39,000 persons in 2015 and to 43,000 the year after. Such levels will have a positive impact on demand in Quebec's rental markets.

In Detail

Single Starts

Again this year, demand for new single-detached homes will be influenced by moderate employment growth, the continued easing of the resale market and the trend toward apartment living (condominium and rental). Starts in this category will decline below the 12,000 level this year. As the resale market begins to tighten, demand for new single-detached homes will increase, and translate into 13,200 starts next year and 13,700 in 2016.

Multiple Unit Starts

After coming back down last year, to a level that is more in line with the demographic trends, multiple unit housing starts will edge up this year as a result of developments in certain large apartment construction sites. Further growth will be held back by relatively high levels of supply of new and resale housing, which will limit the need for additional building. Starts of multiple unit dwellings will be at 25,800 units in 2015 and at 26,400 in 2016.

Resales

Sales of existing houses recorded by Centris® should decline slightly this year, in line with weak employment growth. A total of 70,900 transactions is thus expected this year. Following an increase in sales next year (72,600), buying conditions in 2016 will be somewhat impeded by slightly higher interest rates. Nonetheless, 73,400 Centris® resales will be achieved in 2016 as more robust labour markets push up demand.

Prices

As mentioned earlier, despite rising demand, supply levels on the resale market will limit price growth during the forecast horizon. In this context, prices of resale homes will post marginal growth during the next two years (0.8 per cent in 2015 and 1.9 per cent in 2016). As a result, the average price recorded by Centris® will reach $270,800 in 2015 and $276,000 in 2016.

Mortgage rates are expected to remain unchanged until the latter months of 2015

Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain unchanged until the latter parts of 2015 and then begin to increase gradually. Gradual increases in mortgage rates from historic lows are not expected to significantly impact housing demand.

Mortgage rates		
1 Year	Q3 2014	3.14
	Change from Q3 2013	0.00
	2014 (F)	3.00 - 3.25
	2015 (F)	3.20 - 4.00
	2016 (F)	3.70 - 4.60
5 Year	Q3 2014	4.79
	Change from Q3 2013	-0.48
	2014 (F)	5.00 - 5.50
	2015 (F)	5.25 - 6.00
	2016 (F)	5.55 - 6.45

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q3 2014 data

According to CMHC's base case scenario for 2014, CMHC expects the one-year mortgage rate to be in the 3.00 to 3.25 per cent range, while the five-year rate is forecast to be within the 5.00 to 5.50 per cent range. For 2015, the one-year mortgage rate is expected to be in the 3.20 to 4.00 per cent range, while the five-year rate is forecast to be within the 5.25 to 6.00 per cent range. For 2016, the one-year mortgage rate is expected to be in the 3.70 to 4.60 per cent range, while the five-year rate is forecast to be within the 5.55 to 6.45 per cent range.

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales[2]	Centris® Average Price[2] ($)
Gatineau	Q3 2014	2.3	7.2	971.28	Q3 2014	420	144	276	893	243,367
	Q3 2013	-2.3	6.1	917.72	Q3 2013	597	160	437	872	244,699
	Change[1]	4.6	1.1	5.8%	% Change	-29.6	-10.0	-36.8	2.4	-0.5
Montréal	Q3 2014	-0.3	8.4	841.65	Q3 2014	4,256	763	3,493	7,366	332,534
	Q3 2013	2.1	8.3	798.61	Q3 2013	4,050	725	3,325	7,294	326,354
	Change[1]	-2.4	0.1	5.4%	% Change	5.1	5.2	5.1	1.0	1.9
Québec	Q3 2014	3.1	5.7	829.77	Q3 2014	1,537	206	1,331	1,328	272,157
	Q3 2013	-0.9	4.8	838.46	Q3 2013	1,116	261	855	1,268	267,024
	Change[1]	4.0	0.9	-1.0%	% Change	37.7	-21.1	55.7	4.7	1.9
Saguenay	Q3 2014	0.8	9.4	833.04	Q3 2014	222	110	112	274	188,116
	Q3 2013	-1.9	8.2	779.68	Q3 2013	229	106	123	238	189,351
	Change[1]	2.8	1.2	6.8%	% Change	-3.1	3.8	-8.9	15.1	-0.7
Sherbrooke	Q3 2014	5.1	6.8	790.76	Q3 2014	275	88	187	371	225,506
	Q3 2013	-3.0	7.2	766.00	Q3 2013	232	111	121	342	253,127
	Change[1]	8.1	-0.4	3.2%	% Change	18.5	-20.7	54.5	8.5	-10.9
Trois Rivières	Q3 2014	5.8	6.0	806.53	Q3 2014	221	63	158	242	171,736
	Q3 2013	-1.5	8.8	763.94	Q3 2013	201	50	151	208	160,578
	Change[1]	7.3	-2.8	5.6%	% Change	10.0	26.0	4.6	16.3	6.9
Province of Quebec	September 14	0.3	7.6	820.03	Q3 2014	9,940	3,441	6,499	15,699	272,887
	September 13	0.3	7.6	794.04	Q3 2013	9,892	3,730	6,162	15,177	269,689
	Change[1]	0.0	0.0	3.3%	% Change	0.5	-7.7	5.5	3.4	1.2
Canada[2]	September 14	0.8	6.8	905.36	Q3 2014	53,961	23,265	30,696	131,266	403,008
	September 13	1.2	6.9	887.27	Q3 2013	52,734	22,667	30,067	123,214	382,281
	Change[1]	-0.4	-0.1	2.0%	% Change	2.3	2.6	2.1	6.5	5.4

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Centris® Statistics

[2] Source for Canada resale housing data is the Canadian Real Estate Association (CREA).

The Centris® system contains all the listings of Québec real estate brokers.

"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook (units and percentage change)	2009	2010	2011	2012	2013	2014(F)	2015(F)	2016(F)
Housing Starts:								
Single	17,535	19,549	16,554	16,059	13,144	11,600	13,200	13,700
%	-11.3	11.5	-15.3	-3.0	-18.2	-11.7	13.8	3.8
Multiple	25,868	31,814	31,833	31,308	24,614	26,600	25,800	26,400
%	-8.0	23.0	0.1	-1.6	-21.4	8.1	-3.0	2.3
Total	43,403	51,363	48,387	47,367	37,758	38,200	39,000	40,100
%	-9.4	18.3	-5.8	-2.1	-20.3	1.2	2.1	2.8
Existing Home Markets:								
Centris® Sales	79,105	80,027	77,165	77,374	71,201	70,900	72,600	73,400
%	3.1	1.2	-3.6	0.3	-8.0	-0.4	2.4	1.1
Centris® Average Price	225,367	241,455	252,140	260,501	262,453	268,700	270,800	276,000
%	4.7	7.1	4.4	3.3	0.7	2.4	0.8	1.9

Quebec Housing Market Outlook (units and percentage change)	2014Q1	2014Q2	2014Q3	2014Q4(F)	2015Q1(F)	2015Q2(F)	2015Q3(F)	2015Q4(F)	2016Q1(F)	2016Q2(F)	2016Q3(F)	2016Q4(F)
Housing Starts:												
Single	10,808	11,319	11,735	12,500	13,000	13,200	13,300	13,500	13,500	13,750	13,750	14,000
%	-14.5	4.7	3.7	6.5	4.0	1.5	0.8	1.5	0.0	1.9	0.0	1.8
Multiple	28,079	27,913	25,315	25,000	25,250	25,500	26,000	26,500	26,000	26,250	26,500	27,000
%	7.4	-0.6	-9.3	-1.2	1.0	1.0	2.0	1.9	-1.9	1.0	1.0	1.9
Total	38,887	39,232	37,050	37,500	38,250	38,700	39,300	40,000	39,500	40,000	40,250	41,000
%	0.3	0.9	-5.6	1.2	2.0	1.2	1.6	1.8	-1.3	1.3	0.6	1.9
Existing Home Markets:												
Centris® Sales	68,556	69,072	73,836	72,000	72,250	72,500	72,750	73,000	73,250	73,500	73,500	73,500
%	-2.2	0.8	6.9	-2.5	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0
Centris® Average Price	269,034	270,862	270,793	264,000	267,000	270,000	272,000	274,000	274,500	275,500	276,500	277,500
%	-0.1	0.7	0.0	-2.5	1.1	1.1	0.7	0.7	0.2	0.4	0.4	0.4

The Centris® system contains all the listings of Quebec real estate brokers.
Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

All data in this table, except the Centris® average price, is seasonally adjusted at annual rates. The Centris® average price data is actual.
As is the case for the other provinces, the historical average price for the province of Quebec is calculated by dividing the total dollar sales volume by the number of transactions.

Quebec Region - Housing Forecast Ranges

	2014			2015			2016		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Province of Quebec									
Housing Starts	38,200	38,700	37,700	39,000	42,000	35,600	40,100	44,100	36,000
Multiple	26,600	26,900	26,300	25,800	27,900	23,700	26,400	29,000	23,800
Single	11,600	11,800	11,400	13,200	14,100	11,900	13,700	15,100	12,200
Centris® Sales	70,900	71,800	69,600	72,600	76,300	68,800	73,400	78,100	68,900
Centris® Average Price ($)	268,700	269,100	266,600	270,800	275,500	266,200	276,000	280,800	269,400
Canada									
Housing Starts	189,000	191,700	186,300	189,500	204,000	172,800	187,100	205,800	168,000
Multiple	114,000	115,400	112,600	111,500	120,400	102,400	111,800	122,800	101,000
Single	75,000	76,300	73,700	78,000	83,600	70,400	75,300	83,000	67,000
MLS® Sales	476,100	482,000	467,400	482,500	507,300	457,300	477,200	508,000	448,000
MLS® Average Price ($)	404,800	405,400	401,600	410,600	417,800	403,600	417,300	424,500	407,300

Source : CMHC

The Centris® system contains all the listings of Québec real estate brokers.

Quebec Region Housing Forecast - New Construction

	Housing Starts	2013	2014(F)*	% chg (2013/ 2014)	2015(F)*	% chg (2014/ 2015)	2016(F)*	% chg (2015/ 2016)	YTD 2014**	YTD 2013**	% chg (2013/ 2014)
Gatineau	Single-Detached	475	470	-1.1	440	-6.4	450	2.3	340	354	-4.0
	Multiple	1,449	1,570	8.4	1,460	-7.0	1,400	-4.1	1,087	942	15.4
	Total	1,924	2,040	6.0	1,900	-6.9	1,850	-2.6	1,427	1,296	10.1
Montréal	Single-Detached	3,039	2,700	-11.2	3,100	14.8	3,200	3.2	2,047	2,276	-10.1
	Multiple	12,593	14,000	11.2	12,600	-10.0	12,700	0.8	10,981	8,791	24.9
	Total	15,632	16,700	6.8	15,700	-6.0	15,900	1.3	13,028	11,067	17.7
Québec	Single-Detached	961	925	-3.7	850	-8.1	800	-5.9	688	754	-8.8
	Multiple	3,719	3,200	-14.0	2,800	-12.5	2,500	-10.7	2,787	2,649	5.2
	Total	4,680	4,125	-11.9	3,650	-11.5	3,300	-9.6	3,475	3,403	2.1
Saguenay	Single-Detached	337	295	-12.4	300	1.6	275	-8.3	213	252	-15.5
	Multiple	582	463	-20.5	350	-24.3	325	-7.1	361	485	-25.6
	Total	919	758	-17.5	650	-14.2	600	-7.7	574	737	-22.1
Sherbrooke	Single-Detached	442	360	-18.6	320	-11.1	300	-6.3	277	345	-19.7
	Multiple	1,054	890	-15.6	880	-1.1	875	-0.6	573	586	-2.2
	Total	1,496	1,250	-16.4	1,200	-4.0	1,175	-2.1	850	931	-8.7
Trois-Rivières	Single-Detached	243	225	-7.4	220	-2.2	210	-4.5	173	172	0.6
	Multiple	606	550	-9.2	480	-12.7	440	-8.3	467	470	-0.6
	Total	849	775	-8.7	700	-9.7	650	-7.1	640	642	-0.3

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - September

Quebec Region Housing Forecast - Resale Market

		2013	2014(F)*	% chg (2013/2014)	2015(F)*	% chg (2014/2015)	2016(F)*	% variation (2015/2016)	YTD 2013**	YTD 2014**	% chg (/)
Gatineau	Centris® Sales[1]	3,544	3,200	-9.7	3,300	3.1	3,500	6.1	2,904	2,662	-8.3
	Centris® Avg. Price[1]	243,330	243,500	0.1	246,100	1.1	249,200	1.3	243,495	242,265	-0.5
Montréal	Centris® Sales[1]	36,501	36,300	-0.6	37,800	4.1	38,700	2.4	29,202	28,377	-2.8
	Centris® Avg. Price[1]	323,986	327,500	1.1	331,000	1.1	335,000	1.2	323,189	327,861	1.4
Québec	Centris® Sales[1]	6,275	6,450	2.8	6,650	3.1	6,900	3.8	5,024	5,052	0.6
	Centris® Avg. Price[1]	267,294	270,000	1.0	275,000	1.9	280,000	1.8	267,832	264,801	-1.1
Saguenay	Centris® Sales[1]	1,185	1,120	-5.5	1,050	-6.3	1,000	-4.8	988	942	-4.7
	Centris® Avg. Price[1]	193,281	192,700	-0.3	189,800	-1.5	186,000	-2.0	191,034	190,939	0.0
Sherbrooke	Centris® Sales[1]	1,665	1,540	-7.5	1,625	5.5	1,700	4.6	1,350	1,315	-2.6
	Centris® Avg. Price[1]	229,483	230,000	0.2	233,500	1.5	236,000	1.1	224,628	222,794	-0.8
Trois-Rivières	Centris® Sales[1]	928	1,065	14.8	1,030	-3.3	1,025	-0.5	763	888	16.4
	Centris® Avg. Price[1]	158,582	165,000	4.0	169,000	2.4	171,500	1.5	158,953	165,381	4.0

The Centris® system contains all the listings of Québec real estate brokers.
Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast 2014-2015
[1] Source for the CMA's : Centris® Statistics
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.
** YTD = January - September

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate				Average Rent 2-Bedroom Units			
	Oct. 2013	Oct. 2014(P)	Oct. 2015(P)	Oct. 2016(P)	Oct. 2013	Oct. 2014(P)	Oct. 2015(P)	Oct. 2016(P)
Gatineau	5.1	6.5	6.3	6.0	744	745	750	755
Montréal	2.8	2.6	2.5	2.5	730	745	760	780
Québec	2.3	2.6	2.8	2.8	757	770	785	795
Saguenay	2.8	3.1	3.3	3.3	571	580	590	600
Sherbrooke	5.3	5.0	5.2	5.2	591	600	620	635
Trois-Rivières	5.1	4.7	5.0	5.0	555	560	565	570
Canada	2.7	2.6	2.7	2.7	920	947	963	981

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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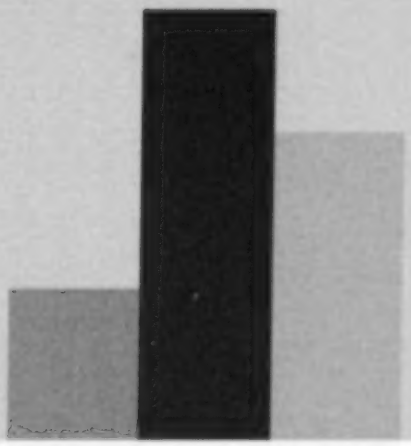

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- Housing Now, Canada
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